

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 786 – HB 1369

March 28, 2017

SUMMARY OF ORIGINAL BILL: Requires the State Board of Equalization's (SBOE) notice of initial determination to property tax exemption applicants include a statement that a denial determination may be appealed.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (005808): Deletes all language after the enacting clause. Exempts property from property taxation, in which a leasehold interest is acquired on or after April 29, 2016, and is owned by an exempt institution that is occupied and used by another exempt institution and exists under a charter, contract, or other agreement or arrangement between the exempt institutions for the same religious, charitable, scientific or nonprofit education purposes.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – To the extent a property owned by an institution currently exempt from property taxation is leased to a separate exempt institution for an amount more than nominal rent or user charges, the local taxing jurisdictions will forgo property tax revenue. The amount of any such forgone revenue cannot be reasonably quantified.

Assumptions for the bill as amended:

- This analysis assumes institutions eligible for a property tax exemption under this legislation will file and be granted an exemption.
- Based on information provided by the SBOE, one nonprofit charitable-educational institution would immediately benefit from this legislation.
- Pursuant to Tenn. Code Ann. § 67-5-212, an exempt institution's property that is occupied and actively being used by another exempt institution for one or more exempt purposes for which it was created or exists under an arrangement in which the owning institution receives no more rent than the reasonably allocated share of the costs of use,

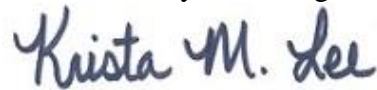
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excluding the cost of capital improvements, debt service, depreciation, and interest, as determined by the SBOE is exempt from property taxation.

- In the absence of this legislation, an exempt institution owning property that is occupied and actively being used by another exempt institution for one or more exempt purposes and is receiving rent in amount that exceeds the SBOE-determined allowed share of the cost of use would be assessed and taxed by local taxing jurisdictions.
- This legislation would extend property tax exemption status in such instances and require the taxing jurisdictions to forgo any property tax revenue that would otherwise be collected for properties with a leasehold interest acquired on or after April 29, 2016.
- Based on information provided by the SBOE, the nonprofit charitable-education institution property is currently in exempt status and not assessed for taxation by the property assessor. As such, the amount of any forgone revenue to taxing jurisdictions resulting from this legislation is unknown and cannot be reasonably quantified.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/amj